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RETIREMENT HOUSING IN AUSTRALIA

Retirement Housing in Australia

By

Dr. Donald James Weideman

November 1988

PROJECT SUMMARY

RETIREMENT HOUSING IN AUSTRALIA

OBJECTIVE:

The objective of this research is to examine current developments in senior citizen housing in Australia with an emphasis on resident funded retirement housing. The project scope includes an overview of existing housing options, a description of unique Australian accommodation forms and a determination of the relative success of the variety of housing options in current use.

PROJECT TITLE:

Australian Experience in Resident Funded Housing and Other Forms of Senior's Housing

PRINCIPAL RESEARCHER:

Dr. Donald James Weideman

Professor, University of Alberta

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RETIREMENT HOUSING IN AUSTRALIA

By Dr. Donald James Weldeman

There is growing pressure in Australia on organizations, involved in the provision of housing, to examine new ways of responding to the accommodation needs of the elderly. This situation arises because of rapid growth in the elderly component of Australia's population, a trend which is expected to continue well into the future. The problem has been compounded by past trends in aged housing policy and characteristics of aged persons housing existing today.

In the past, aged housing programs have concentrated on institutional living and service sheltered housing. However, only a small proportion of Australia's elderly population (7.9%) live in residential care facilities (i.e. nursing homes and hostels). The vast majority (88%) live in private dwellings, mainly as home owners. Moreover, Australians have shown a preference for private ownership. For this group, the housing options and choices currently available are limited and inflexible.

I. PROBLEMS:

In recent years the options have improved for the asset-capable with the development of resident-funded retirement villages. The options are far fewer at the lower end of the income scale. There is a perceived imbalance and inequity when resident-funded Retirement Village development is approaching a point of over-saturation while aged pensioners struggle to survive in the private rental market.

The majority of people wish to remain in their own homes. Currently close to 90% of aged Australians choose to do so. This is their identity, history, reality and orientation. The environment a person has created is part of their own self-image and self-respect and many elderly people will struggle to maintain that

environment until such time as an incident will highlight their emotional, physical or financial vulnerability. Effort is directed towards levels of Government and the community to maintain the aged in their own homes and afford them the services and facilities necessary.

With increasing physical frailty, often loss of a spouse and a fixed income, householders often struggle to cope with types of minor-handyman tasks to large structural repairs. With capital assets tied up in the home there is less money for living expenses and ongoing maintenance costs. Subsidized community handyman schemes are an option to the aged in their homes which allow elderly people to overcome this problem. The implementation of a Home Maintenance Loan for Aged Householders could relieve the financial burden of expensive structural repairs and modification. Government could make funds available for loan facilities for this purpose with loans charged against the estate operating on a Reverse Mortgage principle.

Support services remain inadequate to maintain frail aged people in their own homes. There is a constant demand for the services of the private sector agencies which are expensive, but available. Purchased services are not an option for most pensioners, but in many cases, the available community support services fail to meet the needs of elderly people remaining at home.

Aged people renting property are extremely disadvantaged. 40% are paying over 50% of their income and a significant proportion are paying in excess of 50% of their income even after taking into account the supplementary rental allowance. They are typically single pensioners living on a fixed income in a market which continues to diminish in choice and rise in cost.

For these elderly persons public rental housing provides the only viable housing choice. But the current waiting lists are years long and many elderly

people continue to struggle below the poverty-line enduring tremendous hardships while awaiting placement in the public sector.

Private boarding houses in New South Wales are currently being licensed by Youth and Community Affairs. Hopefully this move will significantly improve the standards in this affordable option for pensioners without property. Meanwhile many rooming houses and hostels continue to operate providing substandard accommodation for unfair rental charges with inadequate environmental provision for those aged and frail residents therein.

II. STATE HOUSING AUTHORITY PROGRAMS

The prime objective of the State Housing Authorities is to ensure that low and moderate income households have access to adequate and affordable housing. As a first priority they aim to assist those sections of the community which are in greatest need due to low income. A particularly vulnerable group within this category is the aged. The elderly component of the population is expected to increase steadily as a proportion of Australia's total population. This trend adds importance to the need for appropriate and adequate housing for the elderly.

Historically, State Housing Authorities have perceived their role as that of a public housing construction authority. They have concentrated on directly providing suitable accommodation for the lower income elderly capable of living independently. Emphasis has been on the provision of single bedroom or bedsitter elderly person units which make up the bulk of what is available to aged people in the public housing sector today.

Their role also includes:

(i) The coordination of accommodation options and the provision of information on these options; and

(ii) Innovation in the nature and forms of housing options that will help the development of more flexible and responsive housing choices.

These roles involve the development of housing advisory services that cater to the elderly and innovation in the development of elderly persons' housing.

More recently, State Housing Authorities have been addressing these issues. Now emphasis is being placed on the development of programs tailored to the needs of the elderly as well as the development of more flexible housing types.

A. Infill Housing

In all Australian states the trend in public housing has been away from large housing projects in outer suburbs and towards smaller projects which can be better integrated with the rest of the community. The emphasis is on small infill subdivisions, individual blocks and existing homes, available through the private market. This is particularly significant for the elderly who may be reluctant to move from their familiar, established neighbourhoods with existing facilities, into newer suburbs. Infill housing may be achieved by Spot Purchasing schemes as exist in Western Australia, Victoria and South Australia or by House and Land Package schemes like those in New South Wales and Queensland.

Spot purchasing is the acquisition of existing dwellings such as family houses or flats for use as public housing. This creates housing stock in established areas where the demand is greatest and land is less available for construction of new dwellings. A conscious effort is made in Victoria to buy large houses to be converted into dual occupancies or group homes. In South Australia the Housing Trust has extended this scheme to the purchase of former commercial premises in inner suburbs. These are then converted into suitable accommodation for needy groups such as the elderly.

Under the House and Land Package schemes operating in New South Wales and Queensland, private builders and developers are invited to submit proposals for the construction of town houses, home units, cottages and pensioner units on their own land. These dwellings are sold to the Housing Authority upon completion.

The advantages of this strategy are (1) it makes available privately owned land in established areas and (2) these housing projects are on a smaller scale than the large public housing projects and are less conspicuous within a community. The New South Wales Housing Commission favours this scheme above spot purchasing as it has the added advantage of creating employment opportunities and improvement of the building industry.

Obviously for the elderly, the advantages of infill housing are numerous. Houses bought by spot purchase are likely to be in established communities. These dwellings are already well integrated with the rest of the community and free of the stigma so often attached to public housing estates. The House and Land package scheme draws on resources from the private sector by opening up pockets of land in desirable areas which otherwise may have been unattainable by the housing authority.

B. Rental Housing Co-operatives

The South Australian and Victorian Housing authorities operate successful Housing Co-operative schemes. Rental housing co-operatives or housing associations are non-profit, legally incorporated associations whose tenant members collectively manage public housing within a local community.

In South Australia, co-operatives may be started by community or religious organizations or simply a group of people who are prepared to become a corporation and take on the responsibility of management. These groups can

apply for a deposit free loan from a private lending organization in order to purchase or build accommodation.

Co-operative housing is strictly for low income earners and rents are set at no more than 20% of their income. Operating costs, such as maintenance, utilities, taxes and insurance are covered by rents collected. Any rent remaining goes towards mortgage repayments. The Housing Trusts assist by paying a subsidy to make up the difference between the contribution by the Co-operative and the required mortgage repayment.

The type of housing available in co-ops may be family houses, home units, dual occupancy, shared housing or boarding houses. The dwellings are owned collectively by the tenants and co-op members cannot make a profit from the property by buying or selling houses or shares. Management decisions are made collectively and all operations of the co-op are the responsibility of the tenants.

Rental Housing Co-operatives can provide some of the advantages of home ownership such as privacy and the opportunity to make decisions concerning the management of one's dwelling. For elderly private renters with limited finances this may be an attractive accommodation alternative. However, because of the level of tenant participation and involvement required to make these schemes viable, housing co-ops may not be as suitable for the less active elderly as some other accommodation options.

C. Granny Flats or Movable Units

Granny Flats are self-contained units comprising a bedroom, bathroom, living area and kitchen designed for location in the backyard of an existing dwelling. The Granny Flat programs are an innovative means by which elderly people, who choose, can retain an independent living style while having the security of being close to relatives or friends.

In Western Australia, the Parent-Pensioner scheme provides loans of up to $15,000. for the construction of a Granny Flat, a permanent structure, in the backyard of a relative. Eligibility criteria must be met by the pensioner as well as the sponsoring relative. This means for a family wishing to apply for a loan for a Granny Flat, their income cannot exceed $367.00/wk (i.e. a family with one child) and their parent's income cannot exceed $168.70/wk (i.e. a single pensioner) if they are to be eligible.

In 1982 a small study of Granny Flats in Perth was carried out by the Australian Institute of Urban Studies (A.I.U.S.). It found that generally, flat occupants and house occupants were satisfied with this living arrangement and believed that Granny Flats were well suited to elderly people. More than half of the flat occupants believed the concept could work for unrelated households as long as amicable arrangements were established. It seems then that Granny Flats have potential as a suitable accommodation option for some aged people. Yet, since 1982 only seven applicants have received assistance under the Pensioner-Parent scheme. This limited interest may reflect the stringency of eligibility criteria used in assessment. The requirement that flat and house occupants must be related seems an inappropriate restriction. It is also likely that income eligibility levels are set too low for this scheme which requires taking out a $15,000. loan. The strict eligibility criteria automatically excludes families on higher incomes who would be more capable of meeting loan repayments than the lower income families at whom this scheme is currently aimed.

In contrast, the Victorian and Tasmanian schemes provide demountable, moveable, self-contained units as Granny Flats. In Tasmania these demountable units can be leased from the Housing Department (they cannot be purchased) and erected in the backyard of a close relative. The Victorian

program offers wider options. Here, demountable units may be rented from the Ministry of Housing at 20% of a client's income (to a maximum of $43/week). Alternatively, units may be purchased from the Ministry for $15,000 - $18,000. These can be sold back to the Ministry at a later date when they are no longer needed. In Victoria, demountable Granny Flats may be erected in the backyard of family or friends and in contrast to the Western Australian program, eligibility criteria must be met only by the prospective occupant of the unit and not by the family/friends.

The fact that a demountable unit can be erected in the backyard of friends makes this accommodation option available to the elderly who have no relatives. It is also open to a broader range of income groups by virtue of the fact that income limits apply to the pensioner and not to the family/friends.

Since this program began in 1975, over 3000 units have been installed for rental throughout Victoria, and a further 1300 have been privately purchased. The Victorian Demountable Granny Flat scheme has attracted world wide interest in recent years as well as being accepted locally, a success which may be due to the flexibility inherent in the program.

D. Group Housing

Victoria is the only state where a specific Group Housing program operates. Although in South Australia one shared house has been established by the Northern Suburbs Aged Housing Association (a Rental Housing Co-op). The Tasmanian Housing Department is considering the possibility of a group housing program in the future.

The scheme in Victoria primarily caters for aged people and people with disabilities who experience difficulty in finding appropriate accommodation and who benefit from a community supported living environment. Group houses are usually designed to accommodate 2-5 people in a joint residence.

Funding for the scheme is through the Local Government and Community Housing program and as such sponsorship for a group house must come from a local government or community organization, which will be responsible for providing non-residential support to the group home residents. The day to day management of the group home (eg. rent collection, selection of residents) is also the responsibility of the sponsoring community organization.

Ministry funding is in the form of capital funding of acquisition or the upgrading of properties. Projects considered suitable for funding under the group housing program include:

(i) spot purchase of large homes or flats on the private market

(ii) upgrading and renovation of existing houses suitable for group housing

(iii) leasing houses/flats from other organizations

(iv) purchase of small rooming houses.

Group housing has potential as a means of catering for the semi-independent elderly who would benefit from a supportive living environment but are not suitable for a nursing home or hostel.

This scheme makes available to the elderly low cost rental housing located in established areas. It provides secure, community managed shared housing and encourages companionship and interdependence among residents.

However, the concept of a group of elderly people sharing a large house has obvious drawbacks and it would be necessary to properly vet potential tenants as well as making legal advice available to them. It is also likely that the development of this scheme would be hampered by local authority restrictions on zoning and density. Notwithstanding these problems, this housing arrangement has merit as an option that interested elderly people can consider.

E. Dual Occupancy

Dual occupancy is when two households live independently in two self-contained dwellings located on a single residential site. This accommodation option is made available in Victoria under the Ministry's Dual Occupancy Programme.

Due to recent changes in Victorian metropolitan planning procedures, town planning permits are no longer required for dual occupancy making this type of development easier. In addition, the Ministry in changing its allocation procedures has allowed extension of the dual occupancy program to the elderly.

In New South Wales the introduction of the State Environmental Planning Policy No. 5 (S.E.P.P. 5) in 1982 has paved the way for accommodation options such as dual occupancy by relaxing local authority restrictions on zoning for these developments. Recently there has been an overwhelming response in favour of dual occupancy housing in that state.

Setting up a dual occupancy can involve:

(i) the modification of an existing large house to form two independent units

(ii) the construction of a new home behind one that already exists.

(iii) the construction of two new dwellings on a vacant block.

These options give elderly people wider choice in the size and location of their accommodation. It also means smaller gardens to maintain and the possibility of mutual support between households sharing a site (eg. odd jobs, transport and security). The Dual Occupancy program maximizes the use of available resources by allowing large houses bought on the private market under spot purchase to be converted into two dwellings. This strategy also increases the

availability of aged accommodation in the established areas sought after by the elderly.

F. Rooming Houses

Although rooming houses run by private and voluntary organizations can be found in all states, the Victorian Ministry of Housing is the only public housing authority offering a Rooming House program aimed at increasing the provision of this type of accommodation. In recent years the Ministry has become increasingly active in the purchase and renovation of these dwellings to supplement its housing stock in the inner and middle suburbs of Melbourne. In South Australia, although no formal Rooming House Program exists, the Housing Trust has recognized the need to preserve this accommodation option and now operates four rooming houses which house a total of 200 residents.

The Rooming House Program aims to provide appropriate housing for single, low income earners and, while it is available to all age groups, the elderly, particularly old single men, make up a significant proportion of the client group.

Rooming houses provide single room accommodation where residents share communal facilities such as kitchens, bathrooms, laundries and lounges. Some provide one meal a day (boarding houses) while others only provide accommodation (apartment houses).

The Victorian Ministry subsidizes non-profit community groups in the upgrading, purchase or construction of rooming houses which are then community managed. In May 1986, thirty-four rooming houses had been funded (19 in the inner metropolitan area) providing 594 single rooms.

G. Joint Venturing

Joint Venturing is a term used to describe a funding and business arrangement between two or more organizations. It is aimed at providing

greater benefits to the individual venturers than would have been obtainable if each party acted independently. This approach has been used by all state housing authorities in the provision of public housing for the elderly.

Participants in joint venturing programs may include federal, state and local governments, voluntary agencies, community and church groups, private developers and the elderly themselves. In terms of housing provision the advantages of such a strategy are (1) it increases the total amount of funds going into housing by sharing costs between venturers (2) it increases the range of housing services provided, and (3) it allows access to locations which otherwise might be unavailable to Housing Authorities.

In 1985 a report was commissioned by the Victorian Ministry of Housing and the Real Estate Agents Board to identify and evaluate opportunities for joint venturing in the provision of elderly persons' housing. The study established that existing Ministry programs and the private market are incapable of meeting all the housing needs of the elderly and this "reinforces the requirements for developing innovative joint venture opportunities to help bridge the gap". The study identified 17 joint venturing options and recommended the implementation of pilot programs for the following three schemes:

(1) Funds Pooling

This involves home owners selling their homes and contributing part or all of the sale proceeds towards the development of a cluster of elderly person's units (EPUS). In exchange they would receive an EPU owned by them on strata title as well as a "top up" payment to reflect the extra value of their original property.

(2) Home Conversion/Lease Back Scheme

This involves an elderly person selling their house and using the proceeds to acquire an annuity to cover the cost of life tenancy in their

home after it has been converted for dual occupancy or into a group of units. The difference between this and funds pooling is that ownership rests with the Ministry which is therefore responsible for maintenance and operating costs. Both funds pooling and home conversion/lease back could be attractive to home owners who are "assets rich but income poor".

(3) Rental Construction Bounty

This scheme addresses the problem faced by private renters with limited finances and assets. It requires landlords to provide suitable rental accommodation at income related rents to elderly persons for a given period of time (eg. 15 years). Under this scheme the Ministry would compensate the landlord by a lump sum grant. The grant would equal the difference between the actual rental and the rental the landlord would have achieved in the open market over the period.

While these joint venturing schemes would increase access to appropriate housing for the elderly, they would also eliminate the need to move from an established, familiar area simply to find suitable accommodation as many aged people are forced to do.

There is scope in Australia for the expansion of joint venturing. Consideration needs to be given to innovative joint venturing schemes such as those outlined above which are aimed at assisting a wider range of aged people including home owners and private renters. Also, the possibility of joint venturing with the private sector should not be dismissed, as this strategy has the advantage of drawing private funds and resources into the public housing arena.

H. Assistance for Home Owners/Purchasers

All states provide some type of financial assistance to low income earners wanting to purchase a house. Western Australia is the only state offering a

home purchase scheme designed specifically to help the elderly (ie. Senior Citizen's Scheme).

Low interest loan schemes are common to all states. In most cases the interest rates are geared to the family income and do not exceed 25% of total earnings. For those financed through the private market, and experiencing difficulty meeting mortgage repayments, the Mortgage relief scheme is available throughout Australia.

In South Australia a rental purchase scheme is jointly administered by the South Australia Housing Trust and the State Bank. A low income earner can apply for a State Bank loan to purchase the house of their choice (min deposit = $500; max loan = $48,000). The Trust purchases the house on behalf of the applicant, using State Bank funds and then the applicant enters a sale/purchase agreement with the Trust. Weekly repayments are paid to the Trust in the form of rent and upon completion of the loan repayment, ownership is handed over.

Victoria and Western Australia are the only states providing comprehensive Home Renovation programs. In South Australia there exists a Home Based Services program run jointly by the Department of Labour and local authorities. Although this doesn't provide home renovations, it does help the aged with home maintenance.

The Home Renovation Advisors and Referral project (HARP) in Victoria receives funding from the Commonwealth Home and Community Care Programme (HACC). This scheme offers several types of assistance to the elderly and disabled, including technical advice and assistance, cost estimates and home renovation loans. (Max = $15,000 payable over 15 years). For pensioners loan repayments may be deferred. This program is very suitable for

the elderly wanting to remain in their own home but with limited finances and "know how" to maintain their dwelling at a suitable living standard.

I. Abbeyfield Houses

The Abbeyfield idea is simply that of providing small groups of older people with the opportunity of making their home within the family atmosphere of ordinary houses on ordinary streets, where the kind of building reminds them of home and not of an institution. Houses are established where residents can continue to enjoy contact with their relatives, friends, doctor, church, shops and social groups which have been an important part of their lives for many years.

In an Abbeyfield house each resident furnishes and looks after his or her room which no one can enter without his or her permission or invitation. Residents share the communal areas of the house and enjoy the mutual support and companionship that develops from living together. A housekeeper does the household shopping and provides two cooked meals a day for the residents who know that the one charge they pay covers their basic expenses of rent, food and heating.

The lifestyle in an Abbeyfield house is one of independent living. People come and go as they like - to work, to interest groups or some social activity, to hospital, or even on holiday. Residents have considerable security of tenure until such time as they are no longer able to do basic things for themselves and their general health and wellbeing makes it essential for them to move into a facility offering appropriate care.

Abbeyfield houses can be set up for seven to ten people of any income or national group. The concept is highly flexible and adaptable and the lifestyle of the potential residents is at all times the deciding factor in the selection and location of the building or buildings that are to become an Abbeyfield house. In one locality three cottages could be joined together to form an Abbeyfield

house, in another two, terrace houses could become one house; in yet another, a large old residence could be the appropriate choice. In some situations it may be more appropriate to purpose-build a house of the desired size that blends in to the local environment, but wherever this option is chosen, every effort is made to provide bedsitting rooms of a comfortable size. Many older people, however, prefer the greater familiarity, spaciousness and more homey air of an older property, where suitable houses are available.

Problems with Abbeyfield homes have occurred in the United Kingdom where they were not always ideally located and, with increasing age, the residents became isolated and needed the provision of nursing services and medical supervision. If this concept is to work effectively the homes must be central to relatives, friends, transport and services.

III. RETIREMENT VILLAGES

A. Rental Retirement Villages

Rental Retirement village accommodation is provided by church and charitable organizations for those elderly people without assets and property. This accommodation undoubtedly fills a real need, but is not without its problems.

Independent Self-Care Units have extremely long waiting lists; the units are small (only ever one bedroom and rarely located in the suburbs of most need). A resident has no security of tenure and in hostel care where a supervisor has full authority, the potentiality for discrimination and victimization exists. Currently, the resident has no mechanism for redress and few other options, and is in a very vulnerable position.

The largest number of retirement villages are the donor funded. Donations may range from $3,000 to $35,000. These voluntary organizations often provide three tiers of accommodation; self-care, hostel, and nursing home.

Many aged people are drawn to these institutions having confidence in the providers of care; or failing to have sufficient funds for resident funded retirement villages.

The organizations will accept applicants with limited assets which often engenders a paternalistic approach which may not necessarily be in the best interests of an aged person who so often feels powerless in this situation. The problems are similar to those in rental accommodation, in so far as the residents have no security of tenure.

The Boards of Management are often comprised of people who have little experience in the needs and care of the aged or the acute financial acumen necessary for progressive and effective management. Residents often feel they are powerless in decisions of management ranging from small personal issues to increases in maintenance costs and changes in management. Residents may be more readily able to accept management decisions if they have representation on the Board at all times.

B. Resident Funded Retirement Villages

One of the most innovative arrangements, of housing for the aged to have emerged in recent times, has been resident funded retirement villages (RFRV's). Initially this type of communal housing was developed by church and community non-profit organizations which attracted Commonwealth subsidies. This area of aged accommodation is now experiencing increasing involvement of the private sector working without subsidies. The rapid growth in the RFRV industry can be seen as a reflection of the number of older people who are looking for new housing alternatives. It is a particularly attractive option for those with substantial economic resources - "the asset rich".

Many villages are being modeled after American complexes, intending to attract young, active retirees, to enjoy a full retirement 'lifestyle'. Australians

appear to be drawn to these villages only when they are confronted by their physical and emotional frailty or their social isolation. Therefore, the essential ingredient of their new lifestyle is the care and provision of services. These services are of premium importance. This is the underlying and on-going problem that management and residents have to address.

The connotation of 'retirement village' in the public mind is that this environment will provide a community of homogeneous residents whose expectations and needs will be the prime objective of the developers and management. The availability of services rests with retirement village administrators, considering that the enticement to a particular village is partly the services and programs available. How realistic are the proposed staffing levels in the provision of care, when the costs of the services are ultimately paid for by the residents? How willing are the able bodied residents prepared to subsidize those frail aged needing the care, and are they, the able bodied, financially capable of these costs on a long-term basis? This on-going debate of accountability of who pays for or provides these necessary services is of concern to developers, communities and governments.

Retirement villages vary in many aspects. Entry is normally restricted to persons aged 55 years and over and recreational and design features are included to cater for the older clientele. They may vary from a three tiered combination of self-care and hostel units with a nursing home plus on-site community facilities, to just half a dozen self-care units with no provision for ongoing care. The self-care units may vary from luxurious three bedroom town-house developments to small bedsitting rooms built with government funding. The hostel or serviced apartments vary from two roomed apartments with ensuite facilities to small bedrooms with common ablution blocks. Nursing home facilities may be on-site or in the community and although the close

proximity of such a facility being on-site is often an advantage, all nursing care which is subsidized by the Government must be available to the whole community. A village may have luxurious communal facilities such as swimming pools, golf courses and a-la-carte restaurants, or nothing more than a common clothesline as a community facility. Emergency call systems are a feature in many retirement villages, a facility which appeals particularly to the single elderly.

C. Ownership and Financial Arrangements

There are several basic ways of funding the capital and running costs of these homes. All of the funding arrangements require an initial capital payment on entry. The four most common financial arrangements are outlined below.

(1) Interest Free Loan or Lease

The basis of this arrangement is that the client pays an initial capital sum determined by the developer or managing organization. This takes the form of an interest free loan and part, or all, of the money is returned when the unit is vacated. Capital appreciation on the unit is usually retained by the owners. In addition to the initial capital outlay, a weekly fee for continuing maintenance and servicing of the complex is charged.

There is no security of tenure. Management has the right to terminate occupancy at any time. The Management Committee, or Board of Directors, is responsible for the administration of the complex.

(2) Company Title

Under this arrangement, a package of shares in a "village company" is purchased at a cost proportionate to the real estate value of the unit. Residents are responsible for the resale of their unit and usually receive some capital appreciation. A weekly fee is deducted for maintenance and servicing of the complex. Security of tenure is determined under the Articles of Association.

Management have the right to terminate occupancy. As shareholders, residents are ultimately responsible for the efficient management of the complex and bear the cost if it fails.

(3) Strata Title

With a strata title agreement, the unit is purchased, which gives legal ownership of the space inside the units and the right to enjoy property held in common. Rights and obligations are set down in the signed contract, with additional protection afforded by the Strata Titles Act, 1985.

Residents are responsible for the internal maintenance and resale of their unit and receive any capital appreciation. A weekly fee is charged for maintenance and servicing of the complex.

Management of a complex under strata title is the responsibility of the body corporate. Where titles are held individually, all residents become members of a body corporate. If the title is held by a Trustee then the Trustee becomes a member of the body corporate. The body corporate is responsible for efficient management of the complex.

(4) Leasehold

A capital payment is made which includes purchase of a long term (usually 99 or 199 years) transferable lease on the unit chosen. The organization responsible for the development maintains responsibility of the land and complex. Rights and obligations of lessee are laid down in the lease.

Residents are responsible for internal maintenance and resale of the unit. On sale, they will receive a portion, or all, of the capital appreciation. A weekly fee is required for maintenance and servicing of the complex.

Tenure is secure subject to the usual conditions of the Landlords and Tenants Act. The Trustee company is responsible for the development and financial management of the complex.

D. Current Practice

Strata title and company title arrangements are usually provided by private companies. The majority of church and community sponsored villages require payment in the form of an interest free loan and ongoing maintenance and service fees. In this arrangement the cost of a unit , operating costs and service costs can be kept relatively low because the organization receives substantial returns on the interest free loan and capital appreciation. For aged people going into these retirement villages a substantial price is paid mainly through the erosion of the value of their initial loan. This loss is traded off in return for a wide range of services and support provided by the management, which may be difficult to find and expensive to obtain on the open market.

Resident funded retirement villages provide the elderly with a mechanism for using their asset wealth to acquire more suitable accommodation. The rapid growth of this industry has been accompanied by a complex array of legal and financing mechanisms in an area where few applicable legislative guidelines have previously been laid down. This has created cause for concern among residents and providers as to their rights and responsibilities. In the past, resident funded retirement villages were overseen by the National Companies and Securities Commission under the "Prescribed Interest Provisions". However, due to recent changes in the Federal Companies Act, this role has been taken over by the individual states. From July 1987 each state will be responsible for the regulation of the resident funded retirement village industry as it sees fit.

The State of New South Wales has adopted a self regulatory approach via the development of a Committee on Resident Funded Housing for the Aged, with the parent body being the N.S.W. Council on the Ageing. Also introduced in N.S.W., in response to the growth in the retirement village industry, was the

1982 State Environment Policy Planning Manual No. 5, "Housing for Aged of Disabled Persons", which established locational criteria, developmental standards and requirements for support services for the residential accommodation of aged or disabled persons throughout the State. The N.S.W. Council on the Ageing has recently compiled a Directory of Resident Funded Retirement Housing in the Sydney Metropolitan Area which includes a guide on issues for people to consider if contemplating entry into a retirement village.

IV. THE ROLE OF THE PRIVATE SECTOR

Historically, the provision of housing and related services for the aged has been the domain of voluntary, charitable, religious and government organizations mainly through funds supplied by the Commonwealth government. Capital and operating cost subsidies have largely been channelled into the provision of institutional accommodation such as nursing homes and hostels. Organizations operating for profit are not eligible for these subsidies.

At the state government level, housing for the aged is provided mainly through the State Housing Authorities. These organizations concern themselves with the construction of dwellings and not with the provision of housing support services. In recent years some State Housing Authorities have undertaken joint ventures with the private sector in developing housing for the elderly.

It seems that while credibility is given to voluntary care, religious or charitable developments, private sector developments tend to be regarded with suspicion because of the profit motivation factor. This, together with government capital and operating subsidies for ongoing care facilities, which are available to voluntary care operators but denied to private developers, give the former a competitive advantage in the market place.

This attitude, along with strict requirements imposed on the private sector by local governments, has hampered and even discouraged many private developers in the retirement housing industry. Despite these constraints, however, recent years have seen a broadening of the role of the private sector in the aged accommodation market particularly in the retirement village industry.

The expanding demand for increased and more flexible accommodation options will only be met successfully through a coordinated and interactive response from all sectors - government, voluntary and private. In recognition of the growing importance of retirement housing and the need for private developers to enter the field, the New South Wales government introduced the State Environmental Planning Policy No. 5 in 1982 to assist the private sector in establishing a retirement housing market. Prior to this policy, homes for the aged could be developed in most residential areas as long as they were built by approved organizations, which meant voluntary or religious organizations or the State Housing Authority. The main change brought about by S.E.P.P. 5 has been to extend this opportunity to the private sector. Private developers are now able to build medium density retirement housing in areas where they previously were unable. Under this policy, consent for a project cannot be refused by local authorities provided that the developer is able to satisfy certain criteria.

Under clause 11 of S.E.P.P. 5, local authorities must be satisfied that adequate support services are or will be available to meet the needs of the residents. This refers to all necessary services, whether they be provided by the local authority, state or federal governments, or private enterprise. Consideration is given to the availability of household help, domiciliary care, meal delivery, hospitals, doctors, dentists, paramedicals, nursing homes and

other services specifically related to the aged. Clearly, those projects which provide many of these services themselves (eg. a hostel on-site which can deliver meals) go a long way to meeting the policy criteria.

Since the introduction of S.E.P.P. 5, there has been considerable objection from local authorities because they are now being forced to approve many medium density developments which they previously would have refused. The policy has severely limited local authorities' power of refusal, provided the development complies with the required standards. The policy also puts the onus on local authorities, when considering individual proposals, to take into account the adequacy of support services in their area. Many authorities are reluctant to take on this responsibility of setting standards for levels of support services.

V. FINANCIAL PROGRAMS FOR THE AGED

Aged owner-occupiers, not just in Australia but also in other countries, with significant rates of owner-occupation, often are in the situation of having a substantial capital asset but a relatively low income. There are a number of problems arising from this dilemma of being "asset rich and income poor".

The difficulty is that often the elderly owner cannot convert the equity in their home into income. If they have to rely on a pension for income support then the elderly owner could well face a low standard of living and have insufficient savings to meet major expenses such as house maintenance and renovation. With people living longer, the owner-occupier could be facing 25 years or more in their home on a low retirement income. In this period it is likely that major maintenance or renovation expenses will occur.

The elderly owner's dwelling may no longer be appropriate to their needs. The house may be too large and maintenance of both house and garden too expensive. The occupier may not have essential maintenance carried out on

their house, because of the expense, resulting in the value of the asset depreciating or rising at a much slower rate than for a similar property which has been kept in good order The location of the house in respect to access to public transport, shops and health facilities may not be appropriate for old age. This is also related to the needs for various support services and their availability on a consistent basis.

It is questionable whether assistance should be provided to home owners when they already have a large capital asset. Options are needed to enable the elderly home-owner to convert their asset into a form which they can use to make their life more comfortable. This represents a considerable store of value which very few aged have so far been able to tap in order to improve their life-style.

Some elderly owners have always been able to unlock and utilize this store of personal wealth by selling up and moving to a smaller house. For a variety of reasons this is not always possible for everyone. In some areas the cost of a purpose-built house suitable for an elderly couple or single person living alone can exceed the price obtainable on the existing family home or leave little surplus cash.

The residential building industry tends to cater mainly to the established demand for family homes. One problem of 'trading down' is finding a suitably-sized dwelling in the same area at the right price, and newer units may be more expensive than established homes in the same area. Even where something suitable is found, the transaction costs and moving expenses can be a deterrence to making a change.

A. Home Equity Conversion

As an alternative to trading down to a smaller property, there are a number of ways in which Home Equity Conversions (HECs) can be achieved. They can be summarized as follows:

(1) Sell Property and Move To More Suitable Dwelling Bought with an Interest Only Mortgage

A problem mentioned above, in selling the existing home and buying a smaller and more suitable property, is that of being able to afford the move. One way around this dilemma would be to purchase the new house with an interest only mortgage. This would leave a considerable amount of capital left over from the sale of the original home which can be used to obtain an annuity. The income from the annuity would be used to defray the cost of the interest-only mortgage and provide a future income flow. This option is linked to that of re-mortgaging the existing home and will be looked at more closely below.

(2) Conversion of Existing Property and Selling or Renting the Newly Created Unit(s)

One option available to aged home-owners with large houses or lot sizes is to either have the house converted into flats or convert the housing lot to dual occupancy.

Dual occupancy, is where an existing housing lot is subdivided into two to provide an additional dwelling. The elderly home-owner would be able to rent out or sell the newly created dwelling thereby providing additional income. A further advantage is the possibility of the new occupier providing a means of support and assistance to the aged household. There would also be a reduction in the amount of garden maintenance.

The current problem with this scheme is that local planning regulations generally make it impossible to create a dual occupancy. Many local councils wish to maintain the present appearance of their residential areas in the form of family single detached houses. They do not want to allow multi-occupancy of units or dual occupancy.

(3) Sale and Lease-Back of Property

Essentially the elderly owner-occupier sells their property to a private or public organization with guarantee of life-time residency. In return the resident is charged a nominal rent. The sale proceeds are payable in full to the elderly customer at completion but the market value of the property is subject to a negotiated discount to take into account the lease-back.

The potential drawbacks of the scheme involve the loss of ownership status and loss of future property appreciation. The elderly persons can be liable for the financial burden of utility rates, maintenance and insurance. It can also be difficult to guarantee a real income from the proceeds for life.

It is possible to overcome some of these problems. One solution might be a partial sale-leaseback covering a percentage of the equity in the property rather than the whole amount. Also, responsibility for repairs and utility rates could be transferred to the sponsor of the scheme. In relation to the future income-flow it might be possible to arrange an annuity which can be tied to the Consumer Price Index.

(4) Re-mortgage Property

This method of tapping the equity in a home is often referred to as a reverse annuity mortgage. Unlike the normal mortgage loan which requires a commitment of a future stream of income to acquire a real asset now, the reverse annuity mortgage requires the mortgaging of an existing

asset in order to obtain a future income flow and thereby liquidate wealth already owned.

Under the scheme the elderly home-owner re-mortgages their home with an interest only loan. Repayment of the principal is usually deferred until either the death of the home-owner or prior sale of the property. The loan is used to purchase an annuity with part of the income paying for the interest on the loan. The amount of income remaining depends on a number of factors. A major one would be the value of the home and the size of the loan. The resulting annuity will also be governed by the age and sex of the home-owner and whether or not it is a joint annuity with his/her spouse. Because of life expectancy rates the income will be lower for 'young' aged people than 'older' ones and for females compared to males of the same age. Other aspects affecting the income will be the level of interest rates, taxation position of the annuitant and effects of the income on entitlement to pensions and related fringe benefits.

(5) Deferment of Charges on the Property

This method simply defers payment of certain charges on the property until the death of the owner or sale of the home. In Western Australia, elderly home-owners with a pensioner health benefit card can obtain a 50% rebate on the Local Government property taxes on their home or defer 100% of their property taxes until disposal of their home. Local authorities are reimbursed by the State Government for either the 50% rebate of the interest on property taxes or the balance of property taxes deferred.

A similar proposal could be introduced to cover maintenance. The South Australian Housing Trust already has such a scheme. Although the benefits to the aged are not very large, it does relieve the problem of

finding a substantial sum relative to income and maintains the value of the house against the day when it is eventually sold.

(6) Private Sale and Rental

A further option is to sell and rent privately. However, this is not considered to be a viable alternative. Insecurity of tenure is a problem in the private rental sector, together with regular rent increases which at certain times can be large because of market forces, and, over time, will probably lead to exhaustion of the capital sum obtained from the original sale of the house. It is unlikely that a home-owner will willingly move into private rental accommodation if they have an alternative choice to remain in owner occupation.

B. Potential Problem With Home Equity Conversion

Some possible problems with HECs have already been mentioned such as possible impact on pension eligibility and loss of access to property appreciation in sale and lease-back schemes. There are also some more general problems that need to be overcome before there can be general acceptance of the HEC concept.

The major one concerns the desire to pass on an inheritance to the offspring. The family home is usually a major aspect of inheritance. However, with increasing longevity estates are usually inherited by offspring who are probably into middle age, in established homes with no ties such as dependent children and better-off than their parents were. It is a common feeling that there still remains a strong desire to pass on estates intact to their descendants; the bequest mentality. The argument should be made that a capital asset in the form of equity in the family home is not usually needed by the aged home-owners' offspring and could be more usefully used to make the aged parents' life more comfortable through enhanced income or home improvements.

HECs are not necessarily the appropriate option for every elderly home-owner. They are one alternative to be considered out of a number. The requirement is for sound housing and financial advice to be provided to aged persons. For example a reverse equity mortgage scheme is generally not of much use to a home-owner aged less than 70 years because the resulting annuity is likely to be too low.

The sale and leaseback HEC in particular must be considered very carefully with respect to the individual scheme. How much value is discounted off the house equity, what nominal rent is to be paid and who is to be responsible for rates and maintenance are some of the questions that should be addressed.